

Portfolio objective and benchmark

This portfolio is for risk-averse institutional investors. It aims to offer superior returns to money market investments with limited capital volatility whilst striving for capital preservation over any two-year period. In terms of Allan Gray's risk-profiled range, this portfolio has less risk of capital loss than the Balanced Portfolio. The benchmark is the Alexforbes 3-month Deposit Index plus 2% or CPI plus 3%.

Product profile

- Conservatively managed pooled portfolio.
- Investments selected from all local asset classes.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest component will be conservative.

Investment specifics

- This portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee or fixed fee.

Compliance with Prudential Investment Guidelines

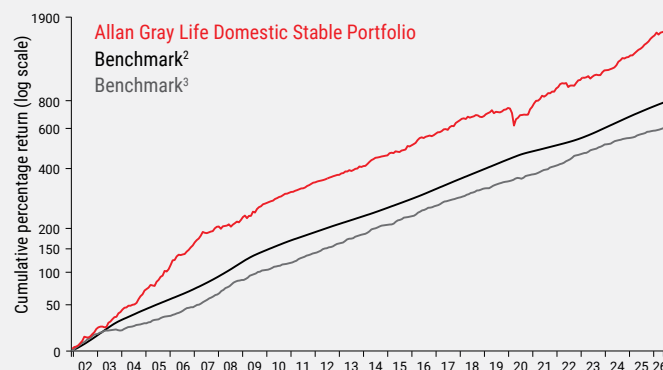
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

Portfolio information on 30 June 2026

Assets under management	R1 759m
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Performance gross of fees

Cumulative performance since inception¹



% Returns ⁴	Portfolio	Benchmark ²	Benchmark ³
Since inception ¹	12.1	9.4	8.4
Latest 10 years	9.9	8.5	7.7
Latest 5 years	12.3	8.6	8.2
Latest 3 years	14.4	9.6	7.3
Latest 2 years	16.4	9.3	7.0
Latest 1 year	16.9	8.8	7.9
Latest 3 months	3.1	2.1	3.2

Asset allocation on 30 June 2026

Asset class	Total
Net equities	27.4
Hedged equities	5.4
Property	0.0
Commodity-linked	1.7
Bonds	56.3
Money market and cash	9.2
Total (%)	100.0

Top 10 share holdings on 30 June 2026

Company	% of portfolio
AB InBev	3.3
Shoprite	2.3
Standard Bank	2.2
Richemont	1.7
Sasol	1.6
Aspen	1.4
AngloGold Ashanti	1.3
Premier Group	1.3
Remgro	1.3
Woolworths	1.2
Total (%)	17.7

1. Since alignment date (1 December 2001).

2. Alexforbes 3-month Deposit Index plus 2% p.a.

3. CPI plus 3% p.a. This data reflects the latest available headline CPI inflation numbers as at 31 May 2026 (Source: Iress). The return for June 2026 is an estimate.

4. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 June 2026.

Note: There may be slight discrepancies in the totals due to rounding.

While 2025 delivered stellar market returns, the first half of the year has presented an altogether more difficult environment for investors, with the outbreak of war in the Middle East in February being the single biggest market-moving event. The escalation of the conflict and the resulting shipping disruptions in the Strait of Hormuz, through which roughly one-fifth of the global oil supply is transported, led to a sharp rise in crude oil prices. In turn, rising inflation expectations and lower economic growth estimates have heightened global market volatility.

Heading into the year, the consensus was that the interest rate-cutting cycle would continue, but the war has reversed this narrative and pushed the European Central Bank and the Bank of Japan towards hikes. Other banks moved to hold rates steady owing to the uncertainty. Developed market sovereign debt yields broadly moved higher. In the United States, expectations that the incoming US Federal Reserve (Fed) chair, Kevin Warsh, would favour policy easing were also challenged, as the Fed's recent statement took a more hawkish tone. Greater emphasis was placed on reining in rising prices as US inflation hit levels last seen in 2023, when the Fed was tightening monetary policy. Market expectations shifted dramatically towards two rate hikes by the end of the year.

The South African Reserve Bank (SARB) raised the key repo rate by 25 basis points (bps) to 7% at its Monetary Policy Committee (MPC) meeting in May. This marked the SARB's first interest rate hike since 2023, following two consecutive holds. The vote split four-to-two, with four members favouring the hike and two preferring no change. A larger 50bps hike was considered, but the MPC ultimately decided that second-round effects, where the shock broadens into wages and inflation expectations, were not yet sufficiently evident in the data to justify a larger increase.

The signing of a Memorandum of Understanding between the US and Iran in June and subsequent attempts to restore normal transit through the Strait of Hormuz, have contributed to a significant decline in the oil price, fully reversing the war-driven increases. Despite ongoing tensions and a fragile ceasefire, the recent drop in oil prices has mitigated the immediate inflation risks in South Africa's near-term outlook that had warranted the rate hike in May. As a result, expectations for further rate increases have moderated from the elevated levels seen during the conflict.

The FTSE/JSE All Share Index returned -3.0% for the first half of 2026, while the FTSE/JSE All Bond Index returned 4.2%. The Portfolio's year-to-date return of 5.2% should be viewed against this backdrop. Equity selection added to the Portfolio's return, with holdings in AB InBev and Sasol, together with underweight exposure to precious metal miners among the largest contributors to relative outperformance. Hedging instruments have also helped shield the Portfolio from broader equity market weakness.

During the quarter, we trimmed the Portfolio's exposure to Sasol, British American Tobacco and AB InBev, and we added to positions in Prosus, Sanlam and select local retailers.

Commentary contributed by Sean Munsie

**Fund manager quarterly
commentary as at
30 June 2026**

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MSCI Index

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